

SHINING A LIGHT ON THE..... Polar Capital Global Technology Fund

AT A GLANCE

Investment Objective
The investment objective of the Fund is long term capital appreciation by way of investing in a globally diversified portfolio of technology companies. Although the Fund may receive income in the form of dividends, interest and from other sources, income is not a primary consideration. The Fund will invest at least 51% of its gross assets on a continuous basis directly in Equity Participations. The Fund will invest at least two thirds of its total assets in technology-related companies worldwide. The Fund will take a geographically diversified approach and operate within broad asset allocation ranges, but there are no specified limits on investing in any geographical region or single country.

Launch	19th October 2021
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR04GUY

Management	
Manager Name	Start Date
Nick Evans	19 th October 2001
Ben Rogoff	19 th October 2001

FUND PERFORMANCE

Performance from 1st January 2016 to 30th September 2021:

	2016	2017	2018	2019	2020	2021
Polar Capital Global Technology Fund	31.93%	34.63%	9.42%	31.89%	52.81%	5.45%
MSCI World NR	38.24%	11.80%	-3.04%	22.74%	12.32%	15.93%
DJ Global Technology	34.75%	29.06%	-0.18%	38.97%	41.69%	14.60%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Polar Capital Global Technology Fund	14.22%	84.45%	213.37%	948.83%
MSCI World NR	23.51%	40.07%	83.40%	394.36%
DJ Global Technology NR	24.72%	94.74%	206.94%	868.48%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.48	-0.30	-	81.77	66.56	36.11	0.87	1.63	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	16.76%
3-Yr Mean Return (average)	22.64%

Investment Style Details	
Giant	49.70%
Large	23.14%
Medium	15.08%
Small	5.49%
Micro	0.00%

Top 5 Holdings – 79 Equity Holdings		
Microsoft Corp	Technology	5.28%
Facebook Inc Class A	Communication Services	4.05%
Apple Inc	Technology	4.02%
Alphabet Inc Class A	Communication Services	3.78%
Alphabet Inc Class C	Communication Services	3.66%

Top 5 Sectors	
Technology	61.39%
Communication Services	23.97%
Consumer Cyclical	8.76%
Financial Services	2.21%
Healthcare	1.57%

Top 5 Regions	
United States	78.95%
Taiwan	3.50%
Japan	3.44%
Germany	3.28%
South Korea	3.11%

UPDATE....

We have reviewed the investment trust but not the fund. They are similar in philosophy and process. The polar capital team are the largest tech team in Europe with a team of ten, and Nick and Ben have worked together for 14 years.

The key question I had for the team was whether there was still a place for tech funds now that many of the holdings can be found in global and regional funds. This perhaps provides the deepest insight into the team. They believe that global fund managers are generalists and therefore in many cases you only get exposure to the mega-caps. With this fund you get exposure to mid-cap names and the most interesting companies where the greatest value lies.

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They also went on to explain that tech is embedded into every aspect of our lives and investing in this area needs a very different mindset, and this is where you need specialists. For this reason, they believe there is space for them, and their role is about avoiding the sinkholes and identifying the best themes and opportunities within this.

The fund has significantly outperformed the global index and since launch the tech index. It has around a 58% active share against the index with high growth and valuation margins. 58% active share seems relatively low but might reflect that there are fewer opportunities outside of the index. It focuses on the middle of the “S Curve” with those companies that are emerging and those that are mainstream rather than those at the start of journey or at the end where they see either greater risk or less value.

They did well in 2020 but cut back some of the winners, perhaps too early, in their view, so this more defensive approach and the performance of the mega caps which they don't hold has meant this has underperformed this year. However, they feel that this highlights the active nature of their management of the strategy and within tech.

They operate across eight core themes: data economy / artificial intelligence, cloud infrastructure / security, digital entertainment, online advertising / eCommerce, connectivity / 5G / IoT, mobility / EV / renewables, SaaS / Software “Eating the World”, and Payments / Fintech. This means they actively move across the themes depending on where they see the greatest opportunities. Currently online advertising / eCommerce has the highest weighting at 21.5% and data economy / artificial intelligence 16.3%.

The strategy is positioning for a re-opening to a hybrid world where there is less office time and more time at home. This will create a new wave of disruption and for them they are very excited by the opportunities ahead. They have reduced areas like food delivery, selling the likes of Ocado, DoorDash and Just Eat, and increased areas like Auto / EV adding the likes of VW, Tesla and Ambarella.

The other area of change is China where they continue to see opportunities but have reduced exposure, selling Alibaba, although they continue to hold a reduced weighting in Tencent.

They do think if bond yields continue to rise in the short term this will be negative for the sector and this strategy as it is a growth strategy. However, they see this as a buying opportunity and believe the longer-term outlook remains strong.

In summary, this is one of the best global tech teams and most recognised fund. It has significantly outperformed the Global Index since launch, and marginally outperformed the Tech Index. The answer on whether tech funds have a place was interesting, and really gives a response to why them as a team. The question remains as to whether this can pick up the right tech themes over the next ten years or whether a tech fund more geared towards a changing world is better. The performance is a compelling reason to hold this although you could argue with only marginal outperformance of the index it might be cheaper to hold the index. This is certainly a dilemma that we have but this is on our watch list.

The source of information in this note has been provided by Polar Capital and is correct as of October 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.